

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SOE-02 CEA-01

DODE-00 DOE-11 H-01 INT-05 L-03 NSC-05 PM-05

OES-07 SS-15 STR-06 ACDA-12 /140 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4531

INFO AMEMBASSY MOSCOW

AMEMBASSY TAIPEI

AMEMBASSY SINGAPORE

USLO PEKING

AMCONSUL HONG KONG

CINCPAC HONOLULU HI

C O N F I D E N T I A L TOKYO 1040

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: ENRG, EEWT, JA, CH

SUBJECT: JAPAN-CHINA LONG TERM TRADE AGREEMENT MOVES CLOSER
TOWARD COMPLETION

REF: 77 TOKYO 18828 (NOTAL)

1. MAJOR OBSTACLE FROM JAPANESE SIDE TO CONCLUSION OF SINO-JAPANESE LONG-TERM TRADE AGREEMENT (LTA) APPEARS TO HAVE BEEN OVERCOME WITH JAPANESE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) AGREEMENT TO HELP FINANCE SPECIAL OIL-REFINING FACILITY TO HANDLE IMPORTS OF CHINESE CRUDE WITH ITS HEAVY WAX CONTENT. AT TIME OF INAYAMA MISSION TO CHINA LAST NOVEMBER ON LTA (REFTEL), JAPANESE OIL IMPORTERS WERE IRRITATED BY INAYAMA'S UNILATERAL ACCEPTANCE OF CHINESE DEMAND
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FOR JAPANESE TO RECEIVE 15 MILLION TONS OF OIL BY 1982. (INAYAMA HAD DEPARTED TOKYO WITH JAPANESE OFFER OF 11.3 MILLION TONS.) GOJ FINANCIAL INVOLVEMENT HAS CONSIDERABLY EASED OIL IMPORTERS' CONCERNS.

2. FONOFF CHINA DIVISION ECONOFF TAKAHASHI TOLD EMBOFF JANUARY 19 THAT INAYAMA AND KEIDANREN PRESIDENT DOKI

HAVE ASKED CHINESE TO ACCEPT ANOTHER ECONOMIC MISSION TO CHINA FEBRUARY 14-17, INDICATING JAPANESE CONFIDENCE IN CONCLUDING LTA AT THAT TIME. TAKAHASHI NOTED ECONOMIC MISSION WOULD ALSO INVOLVE SOME GOJ MEMBERS, INCLUDING HIGH-RANKING MITI OFFICIAL AND SOMEONE FROM MITI'S ENERGY AGENCY. FONOFF HAS NOT YET AGREED TO INAYAMA'S REQUEST FOR MEMBER OF FONOFF CHINA DIVISION TO ACCOMPANY. FOR THEIR PART, CHINESE HAVE NOT YET RESPONDED TO DOKO-INAYAMA REQUEST.

3. MITSUI TRADE OFFICIALS TOLD EMBOFF JANUARY 18 THERE WAS STILL DISAGREEMENT OVER AMOUNTS OF STEAM COAL TO BE IMPORTED FROM CHINA. FOR EXAMPLE, INAYAMA MISSION OF LAST NOVEMBER CAME BACK WITH CHINESE DEMAND FOR JAPAN TO IMPORT 2 MILLION TONS IN 1982. AT THAT TIME, JAPANESE OFFERED FIGURE OF 1.0-1.2 MILLION TONS, AND IN SUBSEQUENT INTERNAL DISCUSSIONS, HAVE UPPED FIGURE TO 1.3-1.5 MILLION TONS. CONCERNING COKING COAL, NIPPON STEEL WAS NOW ANALYZING SAMPLES FROM 3 CHINESE MINES, BUT HAD STILL NOT MADE FINAL DECISION AS TO WHICH SOURCE OR SOURCES JAPANESE MIGHT FAVOR. MITSUI OFFICIALS TOLD EMBOFF FRANKLY THAT, IN ANY CASE, CHINESE COKING COAL WAS OF POOR QUALITY AND WOULD HAVE TO BE MIXED WITH OTHER COAL. IN THEIR OPINION JAPAN WOULD, HOWEVER, HAVE TO ACCEPT THIS POOR QUALITY COKING COAL FOR SAKE OF CONCLUDING LTA.
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4. "COMMITTEE FOR CONCLUDING A LONG-TERM JAPAN-CHINA TRADE AGREEMENT" IS SCHEDULED TO CONVENE IN TOKYO AROUND FEBRUARY 1 FURTHER TO REFINE JAPANESE POSITION.
MANSFIELD

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